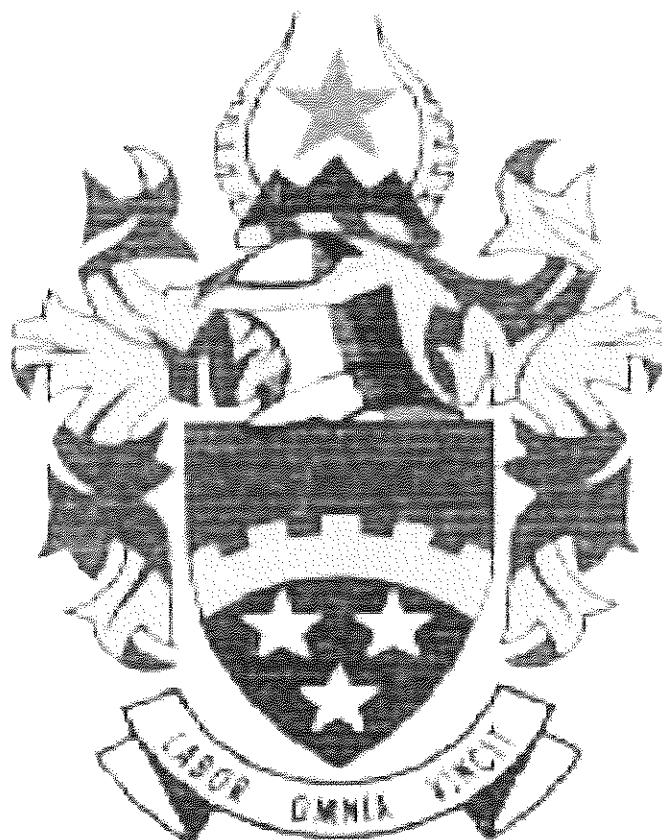


REVISED BUDGET 2021/22



KZN 254

Purpose of the report

The purpose of the report is to submit an adjustment budget for 2021/22 to Council for approval as required by section 28 and 29 of the MFMA.

Background

In terms of section 28 of the MFMA, Council must consider the main adjustment budget by latest 28 February 2022.

Legislative Compliance

Section 28 of the MFMA stipulates inter alia the following:

In terms of section 28 of the MFMA a municipality may revise an approved annual budget through an adjustments budget.

An adjustments budget-

- Must adjust the revenue and expenditure estimates downwards if there is a material under-collection of revenue during the year.
- May appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for.

Municipal Budget and Reporting regulation 23(1) and (3)

The Municipal Budget and Reporting regulation 23(1) stipulates that an adjustments budget referred to in section 28(2)(b), (d) and (f) may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council but not later than 28 February of the current year.

MAYORS REPORT

- a) The budget will be adjusted to reflect more realistic revenue and expenditure projections based on the mid-year budget assessment.
- b) As indicated in the mid-year report, it won't be prudent to start certain capital projects, because of the following reasons:
 - Cash flow challenges
 - Time and processes that need to unfold before implementing those projects
- c) It is therefore recommended that Council approves the adjustment budget and revised SDBIP for 2021/22 financial year

Executive Summary

An adjustment budget is necessary after the budget has been assessed in the terms of section 72 of the MFMA.

Total budget summary

The total adjusted expenditure increased from R 186 million to R 190 million.

Description	Original	Proposed	Amended
	Budget	Adjustment	Budget
Operating Revenue	49,653,000.00	3,309,000.00	46,344,047.00
Grants	135,460,000.00	- 50,000.00	135,410,000.00
TOTAL REVENUE	185,113,000.00	3,259,000.00	181,754,047.00
Capital Expenditure	63,513,000.00	- 4,612,000.00	68,125,000.00
Operating Expenditure	122,624,000.00	748,000.00	121,876,000.00
TOTAL EXPENDITURE	186,137,000.00	- 3,864,000.00	190,001,000.00

FUNDING OF BUDGET

The funding of the budget is one of the critical part of budgeting. The municipality is experiencing challenges in financing its budget. In recent times National Treasury found that the municipality's budget was not funded. The municipality's cash & cash equivalents amount to R 15 million.

DESCRIPTION	MIG	INTERNAL FUNDING/ EQUITABLE SHARE
CAPITAL PROJECT	30,794,000.00	37,331,000.00
EMPLOYEE RELATED COST		41,359,000.00
COUNCILLORS ALLOWANCES		8,882,000.00
GENERAL EXPENSES		18,496,014.00
REPAIRS & MAINTENANCE		15,807,986.00
TOTAL	30,794,000.00	121,876,000.00

The current operating grant allocation as per the division of Revenue Act is R 104 million. The projected cash balance would be R 120 million, excluding own revenue. The municipality would be funding the attached items with indicated funding on the table, the funding that is projected to balance budget is expected from Property Rates & Refuse, which could be around R 25 million plus Vat Refund of R 14 million.

GRANTS

The large contributor to the entire revenue is grant revenue, the municipality largely depends on grants. The following tables are operating grants and capital grants tables.

DESCRIPTION	ORIGINAL BUDGET 2021/22	PROPOSED ADJUSTMENT 2021/22	AMENDED BUDGET 2021/22
OPERATING GRANT (AS PER DORA)			
EQUITABLE SHARE	100,522,000.00		100,522,000.00
PROVINCIALISATION ON LIBRARY	935,000.00		935,000.00
COMMUNITY LIBRARIES	1,309,000.00		1,309,000.00
FMG	1,900,000.00	- 50,000.00	1,850,000.00
TOTAL	104,666,000.00	- 50,000.00	104,616,000.00

- The only change on the grant schedule is on FMG grant which was initially recorded as R 1.9 million instead of R 1.8 million.

DESCRIPTION	ORIGINAL BUDGET 2021/22	AMENDED BUDGET 2021/22
CAPITAL GRANT (FROM DORA)		
MIG	30,794,000.00	30,794,000.00
Integrated National Electrification Programme (Municipal) Grant		
Regional Bulk Infrastructure Grant		
Water Services Infrastructure Grant		
Neighbourhood Development Partnership Grant(Capital)		
Infrastructure Sport		
Energy Efficiency and Demand Side Management Grant		
TOTAL	30,794,000.00	30,794,000.00

- There are no changes on conditional grants, the municipality need to accelerate the spending to avert the situation where the MIG allocation is withheld.

Operating budget

The operating revenue decreased from R 49 million to R 46 million, while the operating expenditure decreased from R 122 million to 104 million.

Adjusted operating revenue summarized as follows:

DESCRIPTION	ORIGINAL BUDGET	PROPOSED ADJUSTMENT 2021/22	AMENDED BUDGET 2021/22
OPERATING REVENUE (EXCEPT GRANT)			
PROPERTY RATES	28,847,162	1,316,102.00	27,531,060.00
SERVICE CHARGES- REFUSE REMOVAL	1,296,604.00	724,196.00	2,020,800.00
RENTAL OF FACILITIES AND EQUIPMENT	21,000.00	104,544.00	125,544.00
INTEREST EARNED -EXTERNAL INVESTMENT	1,283,000.00	915,882.00	367,118.00
TRAFFIC FINES	6,000.00	397,002.00	403,002.00
VAT RECOGNITION	14,561,090.00	-	14,561,090.00
LICENCES AND PERMITS	1,943,236.00	838,680.00	1,104,556.00
OTHER REVENUE	1,271,231.00	1,040,354.00	230,877.00
TOTAL	49,229,323.00	2,885,276.00	46,344,047.00

Significant changes on revenue are as follows:

- Property Rates decreased by R 1,3 million, the decrease is as indicated on mid-year, the billing indicates the need for adjustment.
- Traffic fines were recorded on cash bases and now reflected on accrual bases; emphasis should be on the collection strategies on fines issued. Traffic fines increased to R 397 002.00
- The decrease on VAT recognition, some projects are not going to be fully implemented as a result of that Vat Refund initially projected decreased.
- Interest on investment reduced to R 367 118.00, cash and cash equivalents have decreased significantly, hence the reduction of interest.

Operating Expenditure

DESCRIPTION	ORIGINAL BUDGET 2021/22	PROPOSED ADJUSTMEN	AMENDED BUDGET 2021/22
EMPLOYEE RELATED COST	36,423,000.00	1,784,870.00	34,638,130.00
COUNCILLORS ALLOWANCE	8,882,000.00	- 1,413,163.00	10,295,163.00
GENERAL EXPENSES	56,507,252.00	16,581,183.00	39,926,069.00
REPAIRS & MAINTANANCE	17,731,748.00	- 737,266.00	18,469,014.00
PROVISION	3,080,000.00	2,249,467.00	830,533.00
TOTAL	122,624,000.00	18,465,091.00	104,158,909.00

The most significant amendments to operating expenditure are as follows:

- **Employee related cost** were slightly decreased by R 2 million, this was informed by the expenditure trends in the mid-year.
- No changes on the Councillor Allowances, it indicates accuracy of the original budget.
- **General expenses**, which are mostly soft projects. There were reduced by R 14 million, this was done to fund service delivery projects, since the municipality experiences cash flow challenges.
- **Repairs and Maintenance:** There's one item or project that has been drastically increased, that is Infrastructure Maintenance, the mid-year report indicated over expenditure of R 2.7 million, therefore there was a need for adjustment.

Maintenance of Infrastructure

DESCRIPTION	ORIGINAL BUDGET 2021/22	PROPOSED ADJUSTMENT 2021	AMENDED BUDGET 2021/22
REPAIRS & MAINTENANCE			
BUILDINGS & OFFICES-RUGBY CHANGE ROOMS	527,674.83	- 785,083.96	257,409.13
VEHICLE MAINTENANCE	827,320.22	505,839.79	321,480.43
CEMERTY FENCING & OTHER SERVICES	237,610.56	162,610.56	75,000.00
HEAVY DUTY EQUIPMENT	792,841.17	150,000.00	642,841.17
POTHLES	547,566.00	- 547,566.00	-
OFFICE FURNITURE & EQUIPMENT	122,176.95	107,176.95	15,000.00
PLANT & EQUIPMENT	69,518.98	- 10,481.02	80,000.00
ROAD SIGNS	60,000.00	30,000.00	30,000.00
STREETS & DRAINAGE	324,421.90	-	324,421.90
TOOLS & EQUIPMENT	182,031.54	- 344,063.08	162,031.54
STREET LIGHTS/GARDENS & OPEN SPACE (WARD 2)	335,829.93	100,000.00	235,829.93
SOCCER AND NETBALL POLES	54,756.60	54,756.60	-
REFUSE SITE	150,000.00	- 225,000.00	75,000.00
HIRE OF MACHINERY: ROADS(Ward 4 ,6,7,8,9,11,12 & 13)	13,500,000.00	- 2,750,000.00	16,250,000.00
TOTAL	17,731,748.69	- 3,551,810.17	18,469,014.11

Capital Projects:

Capital Projects increased by R 11 million, as indicated in the mid-year report certain projects had to be decreased significantly because of limited financial resources and to complete New Offices project. New Offices proposed adjustment is R 26 million.

DESCRIPTION	ORIGINAL BUDGET 2021/22	PROPOSED ADJUSTMENT	AMENDED BUDGET 2021/22
Mayor 's Car	750,000.00	- 400,000.00	1,150,000.00
COMPUTER EQUIPMENT	150,000.00	-	150,000.00
MASTLIGHTS (WARD 5 & 13)	700,000.00	700,000.00	-
WATER TANKER	1,500,000.00	1,500,000.00	-
CONSTRUCTION OF HALL (WARD 13)	1,500,000.00	-	1,500,000.00
FENCING FARMS	200,000.00	150,000.00	50,000.00
INDUSTRIAL PRECINCT	1,000,000.00	600,000.00	400,000.00
NEW OFFICES(Ward 2)	6,000,000.00	- 18,730,672.00	24,730,672.00
ELECTRIFICATION -INTERNAL FUNDING(V	3,000,000.00	1,000,000.00	2,000,000.00
SANITATION & WATER (INDUSTRIAL AREA	1,000,000.00	700,000.00	300,000.00
STREETLIGHTS WARD 2)	300,000.00	300,000.00	-
CHILD CARE FACILITY (WARD 1)	1,500,000.00	-	1,500,000.00
TESTING GROUND (Ward 2)	3,000,000.00	1,000,000.00	2,000,000.00
PURCHASE OF LAND	500,000.00	500,000.00	-
COMMUNITY HALLS -(WARD 9 & 10) MIG	11,200,000.00	-	11,200,000.00
URBAN ROADS- (WARD 2 & 3)MIG	5,797,000.00	-	5,797,000.00
DISASTER HOUSES (WARD 4, 5,7 & 13)	1,500,000.00	1,300,000.00	200,000.00
MOBILE CRECHE (WARD 7)	500,000.00	500,000.00	-
DURNACOL SPORT CENTRE	8,000,000.00	-	8,000,000.00
UPAGRADE LANDFILL SITE	500,000.00	-	500,000.00
TRACTOR	500,000.00	-	500,000.00
RURAL ROADS(WARD 8 & 12)- MIG	5,797,000.00	-	5,797,000.00
GRANDSTANDS(WARD 7 & 8)	500,000.00	500,000.00	-
WATER HARVESTING(WARD 1, 4, 6 & 11)	2,000,000.00	-	2,000,000.00
SPORT COMBO (WARD 3,10 & 12)	4,000,000.00	3,407,151.00	592,849.00
BRUSH CUTTERS	100,000.00	50,000.00	50,000.00
SLASHER	70,000.00	20,000.00	50,000.00
FENCING OF NEW TOWN PARK	150,000.00	-	150,000.00
CHAINSAWS	30,000.00	-	30,000.00
TOTAL	61,744,000.00	- 6,903,521.00	68,647,521.00

